

**ANNOUNCEMENT #1
FOR
RFA#TIRNO-99-H-00002, PROJECT 6
DEBT INDICATOR PILOT**

Some questions we have received from Industry in response to this RFA are stated below along with IRS's response. An amendment to the RFA extending the due date for proposals will be forthcoming. We are reviewing additional questions we have received, and we will announce them, with our responses, if they are not already addressed below. Interested parties who have any questions not addressed below may continue to e-mail us at the address stated in the RFA.

Q1 - It is my understanding that if a taxpayer has an outstanding debt, but has reached an agreement with the financial institution that he owes the debt to, we will receive an indicator that will tell us that an agreement has been reached. Is this a correct understanding?

A1 – The type of debt that is relevant is strictly that which is owed to either the IRS or Financial Management Service (FMS) or both as stated in Section 1.2 of the RFA. Under current criteria for IRS and FMS (see Internal Revenue Code 6402 (a), (c), (d) and (e)), this debt includes federal tax debt, child supports debt, other federal agency debt, and state taxes. An indicator would not relate to some agreement reached with a financial institution.

Q2 – Is this the only debt indicator for the 2000 filing season?

A2– Yes. This is the only proposed pilot for a debt indicator in the 2000 filing season (tax year 1999). It will only be available to those firms whose proposals in response to this RFA are selected for an Agreement with the IRS.

Q3 – The old debt indicator was a real help to EROs and Financial Lenders. Is there any indication that this will return?

A3 – Again, this is the only debt indicator being considered at this time.

Q4 – If a Tax Preparation Software Company files returns to the IRS from their location (I refer to this being indirect filing) and also offers a direct software package for EROs (Direct Filers) to file directly to the IRS from their own office. Will the software company have to apply for two RFAs or will they only be allowed to file an RFA for the returns that they file indirectly? If the latter is true will each individual Direct Filer have to submit their own RFA for each individual EFIN that meets the requirements?

A4 – All software proposed for this Debt Indicator Pilot to be used to transmit a return requesting a RAL will need to be modified. Proposals in response to this RFA should identify the software version that will be modified and must show how such returns would be screened for abuse prior to transmission to the IRS (see RFA sections 1.3 and 2.1). Ideally, EROs or transmitters or other companies including any software developers who can meet the mandatory requirements (see RFA Section 1.3) should enter into teaming arrangements and submit proposals that cover multiple ETINs and EFINs.

Q5 – If the IRS only allows the Tax Preparation Software Companies to have it for the returns they file to the IRS then you are basically placing the individual ERO that files to the IRS directly at a disadvantage. How does the IRS plan on handling this?

A5 – We don't see a disadvantage. See Answer 4 above.

Q6 – The project document addresses the debt indicator in relation to RAL situations. Will it also be available for ERCs or only RALs?

A6 – RALs or any other financial agreement between the financial institution and the taxpayer that facilitates the payment of the refund are relevant to this proposed pilot. The financial agreements must have an indicator in the RAL indicator field.

Q7 – Under 1.3 mandatory requirements # 6 is confusing. If we have determined the return to be “potentially abusive” are we still going to file it electronically?

A7 – This will depend on the screens and what is being identified. Returns that are abusive for RAL purposes are not necessarily abusive for return filing purposes. The only returns that should not be filed are those that are abusive for return filing purposes.

Q8 – Will this new debt indicator be based on the same debt information criteria that was used to provide “the indicator” used prior to 1995?

A8 – See Questions and Answers 1 through 3 above.

Q9 – In Section 1.3 Mandatory Requirements, requirement number 3 states “Make a positive indication in the RAL indicator field only when the taxpayer has entered into an agreement with a financial institution.” Please define “an agreement with a financial institution”.

A9 – See Question and Answer 6 above.

Q10 – The last statement in Section 1.1 states the indicator is being considered for implementation again with limitations and requirements. Are there any additional limitations or requirements for this indicator that are not listed in this RFA?

A10 – No

Q11 – Does the offeror assume any liability in regards to the screening procedures for this indicator?

A11 – Not if a return is found fraudulent; however, if the IRS accepts a proposal under this proposed pilot, then the IRS has the right to review and monitor the pilot participants to ensure compliance with the requirements of the Agreements. If the requirements are not being met, then those Agreements will be terminated and the pilot participants may be suspended from the IRS *e-file* program.

Q12 – We anticipate that the system may work something like this: the screen at the ERO level would be the due diligence worksheet built into the software, thus, if the ERO had an EFIN and worked with a pilot compliant transmitter, the ero would also be compliant. In the bank product application or in the software would be an authorization for the IRS to return a debt indicator on the taxpayer that applies for a bank product. As a bank, we would authorize the FSB to allow the IRS to access any of our bank records at the FSB. Currently, we only transmit the RAL records but we would be also willing to provide our RT records to the FSB for the purpose of the pilot. We would really like some clarification so we would be better prepared to put together a proposal, if in fact we are even entitled to submit a proposal.

A12 – Your concept of how the proposed Debt Indicator Pilot would work is contrary to the RFA. The due diligence worksheet is not sufficient for the pilot participants' screens. These screens (see Section 1.2 of the RFA) should include due diligence and at least meet the level of those done to qualify for a RAL but should be more extensive. If the screens indicate the potential for fraud then the reporting requirements of the RFA apply (see Section 1.3, #6) and the participant's decision whether to transmit (see A7 above). These screens also need to be done prior to the transmission of the return in order that the proper RAL indicator can be placed in the RAL indicator field. This is necessary, as the field cannot be changed after transmission to the IRS.

Q13 – Is it true that this RFA also includes the opportunity for on-line service providers who meet the requirements of this RFA to issue Refund Anticipation Loans (RALs)? If so, has the IRS has dropped its prohibition against online RALs?

A13 – Revenue Procedure 98-51 still prohibits RALs, but any Agreements that result from this RFA will allow the selected pilot participants a dispensation during the period of the Agreement.

Q14 – Will the Debt Indicator be sent to the ERO through the IRS acknowledgement file?

A14 – Yes

Q15 – If so, in what format? Will it consist of just one character field indicating that the taxpayer has a debt or contract with a financial institution or will it contain other field indicating other information such as amount of debt, etc.?

A15 - It will consist of a one-character field with 4 values: I for IRS debt; F for FMS debts; B for both IRS and FMS; and N for none. (See Question and Answer 1 above for type of debt.) It will not contain the amount of the debt.

Q16 - Will the acknowledgement time be affected by this process or will acknowledgement files still be processed in the time it would normally take if the indicator were not included?

A16 – The files will be processed in the same amount of time.

Q17 – Section 1.3 (Mandatory Requirements) Item number 2 requires a prospective Offeror to have achieved a reject rate of 15% or less. Are IRS rejects of the 500 and 900 series (and other reject codes which utilize comparison with the IRS Masterfile) and rejects of re-transmissions included in the calculation of this percentage?

A17 – Yes.

Q18 – This RFA indicates that IRS is proposing to provide the debt indicator to taxpayers applying for Refund Anticipation Loans (RALs). What is IRS' rationale for excluding other electronic filing taxpayers (direct deposits, paper checks) from realizing the benefits of this valuable information?

A18 – These other taxpayers can obtain this information by calling our Customer Service toll-free number.

Q19 – Based on the information I've received, the RFA is only between the ERO and the IRS and not necessarily the software developers. I'm assuming that such an indicator would be included only in the acknowledgement file and would not alter the way the transmission files are created.

A19 – See Question and Answer 4 above. The consent to disclose screen as developed by the software providers is an integral part of the mandatory requirements of this RFA.

Q20 – Regarding paragraphs 1.3 through 2.1, Is this a requirement as far as participation, for the ERO's out in the Tax preparation world, third party transmitters or for the software developers to implement into their software?

A20 – See Question and Answer 4 above. The company or team members who respond to the RFA must meet the mandatory requirements in 1.3 of the RFA either alone or in combination with each other. The proposal instructions in 2.1 of the RFA should be followed in preparing the proposal. The company's or team leader's Point-of-Contact (see Section 2.1) that is responsible for discussion and negotiation of an Agreement should be familiar with all contents of the proposal.

Q21 – Where do we get a sample of a proposal and how do we forward it to the Contracting Officer via electronic mail by 5:00 PM EDT July 30, 1999?

A21 – This RFA is a new initiative and there are no sample proposals or existing agreements. Follow the instructions throughout section 2.0 and 2.1 of the RFA in preparing the proposal. The "milestones and associated timeframes for the proposed solution" (as stated in 2.0) relate to the start and end dates for all tasks necessary to conduct the proposed pilot including deliverables (see section 1.3 #6 and section 2.2). As stated in section 3.0 forward an electronic copy of the proposal prepared in Microsoft Word or Corel WordPerfect. **The due date for proposals will be extended in a forthcoming Amendment to the RFA.**

Q22 – Do the offices we transmit for have to apply separately and submit their own proposal or may they come under our application?

A22– See Question and Answer 4 above. All of the company or team's offices that are proposed for participation in the pilot should be included in the proposal and their ETINs and EFINs as applicable must be stated. Screening procedures for the pilot (see sections 1.2 and 1.3 of the RFA) that will be adhered to for all returns must be agreed to by all participants and stated in the proposal.

Q23 – Do the franchises that transmit directly to the IRS have to apply separately or may they come under our application?

A23 – Same as for A22 above.

-End of Announcement-

